

Mr. Warren Hammett, Administrator
Bamberg County Hospital
Post Office Drawer 507
Bamberg, South Carolina 29003

Re: AC# 3-BMB-J4 - Bamberg County d/b/a Bamberg County Memorial Nursing Center

Dear Mr. Hammett:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/tdc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**BAMBERG COUNTY
D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER**

BAMBERG, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-BMB-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 12, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Bamberg County d/b/a Bamberg County Memorial Nursing Center, for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bamberg County d/b/a Bamberg County Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Bamberg County d/b/a Bamberg County Memorial Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 12, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Thomas L. Wagner, Jr., CPA
State Auditor

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-BMB-J4

10/01/95
09/30/96

Adjusted reimbursement rate	\$93.49
Interim reimbursement rate (1)	<u>90.24</u>
Increase in reimbursement rate	\$ <u><u>3.25</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1995 Through September 30, 1996
 AC# 3-BMB-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.54	\$42.73	\$50.61	\$42.73
Dietary	<u>-</u>	<u>14.14</u>	<u>10.19</u>	<u>10.19</u>
Subtotal	<u>\$3.54</u>	56.87	60.80	52.92
Laundry/Housekeeping/Maint.	\$ -	12.19	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>11.43</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$ -</u>	80.49	<u>\$75.55</u>	67.67
<u>Costs Not Subject to Standards:</u>				
Utilities		3.55		3.55
Special Services		.12		.12
Medical Supplies & Oxy.		2.14		2.14
Taxes and Insurance		2.62		2.62
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$88.94</u>		76.12
Inflation Factor (6.30%)				4.80
Cost of Capital				11.07
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				3.54
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(2.04)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$93.49</u>

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-BMB-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 681,895	\$ 3,292(1)	\$ -	\$ 685,187
Dietary	209,908	16,847(1)	-	226,755
Laundry	9,490	-	1,436(1)	8,054
Housekeeping	127,022	-	27,103(1)	99,919
Maintenance	86,363	1,145(1)	-	87,508
Administration & Medical Records	145,648	37,656(1)	-	183,304
Utilities	69,460	-	12,573(1)	56,887
Special Services	-	1,920(1)	-	1,920
Medical Supplies & Oxygen	45,913	-	11,639(1)	34,274
Taxes & Insurance	28,267	13,738(1)	-	42,005
Legal Fees	-	270(1)	-	270
Cost of Capital	120,591	15,931(1)	-	177,577
	<u>41,055</u>	(2)		
Subtotal	1,524,557	131,854	52,751	1,603,660
Ancillary	21,196	-	20,308(1)	888
Non-Allowable	<u>16,170</u>	<u>6,442</u> (1)	<u>41,055</u> (2)	<u>(18,443)</u>
Total Operating Expenses	<u>\$1,561,923</u>	<u>\$138,296</u>	<u>\$114,114</u>	<u>\$1,586,105</u>
TOTAL BEDS	<u>44</u>		TOTAL PATIENT DAYS	<u>16,036</u>

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-BMB-J4

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$ 3,292	
	Dietary	16,847	
	Maintenance	1,145	
	Administration	37,656	
	Special Services	1,920	
	Taxes and Insurance	13,738	
	Legal	270	
	Cost of Capital	15,931	
	Nonallowable	6,442	
	Laundry		\$ 1,436
	Housekeeping		27,103
	Utilities		12,573
	Medical Supplies		11,639
	Ancillary		20,308
	Other Equity		24,182
	To adjust costs to amounts shown on the Blue Cross/Blue Shield settled report HIM-15-1, Section 2300		
2	Cost of Capital	41,055	
	Nonallowable		41,055
	To adjust cost of capital expense in accordance with the cost of capital policy effective July 1, 1989 State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>138,296</u>	\$ <u>138,296</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-BMB-J4

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.9778</u>	<u>1.9778</u>	
Deemed Asset Value (Per Bed)	30,889	30,889	
Number of Beds	<u>22</u>	<u>22</u>	
Deemed Asset Value	679,558	679,558	
Improvements Since 1981	238,799	27,062	
Accumulated Depreciation at 9/30/94	<u>(280,656)</u>	<u>(111,745)</u>	
Deemed Depreciated Value	637,701	594,875	
Market Rate of Return	<u>.072</u>	<u>.072</u>	
Total Annual Return	45,914	42,831	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	45,914	42,831	
Depreciation Expense	44,489	62,495	
Amortization Expense	-	-	
Capital Related Income Offsets	(9,391)	(8,761)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>TOTAL</u>
Allowable Cost of Capital Expense	81,012	96,565	\$177,577
Total Patient Days (Minimum 98% Occupancy)	<u>8,018</u>	<u>8,018</u>	<u>16,036</u>
Cost of Capital Per Diem	\$ <u>10.10</u>	\$ <u>12.04</u>	\$ <u>11.07</u>

BAMBERG COUNTY D/B/A BAMBERG COUNTY MEMORIAL NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-BMB-J4

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$12.04</u>
Weighted Average Reimbursable Cost of Capital Per Diem		\$11.91 *
Weighted Average Cost of Capital Per Diem		<u>11.07</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

* $(\$11.78 \times 8,018 + \$96,565) \div 16,036 = \$11.91$